

**Appendix II**  
**Major Data Sources**  
**for the Value-Added/Farm**  
**Income and Balance Sheet Accounts**

The component items contained within the value added/farm income and balance sheet accounts are developed through analysis of numerous surveys and data provided by alternative sources.

## **Cash Receipts Accounts**

### ***Major Livestock Commodities***

***For the Major Producing States:*** After the close of the year, USDA's National Agricultural Statistics Service (NASS) publishes calendar year cash receipts and home consumption and we use those numbers. For the current year, we develop indexes to indicate direction and magnitude of changes in monthly sales quantities and multiply by NASS published monthly prices.

### ***Major Crop Commodities***

***For the Major Producing States:*** NASS publishes, for the crop marketing year, quantity and value of production, neither of which we can use directly. We have to make a number of adjustments to the NASS quantity produced.

- The quantity produced is reduced by the used-on-farm to avoid double counting the value added in livestock receipts.
- The Commodity Credit Corporation (CCC) is one of two channels for producers to sell their production, with the balance going through open-market channels.
- NASS publishes quantities for crop marketing years. The quantities to be sold through open market channels are distributed by months and aggregated to calendar year quantities.
- That portion of the harvest not sold by December 31 is accounted for within the calendar year through placement into inventories, where it is valued at the calendar year weighted average price to preclude the changes in price from January 1 to December 31.
- If calendar year sales exceed the harvest, representing a drawdown of inventories produced in an earlier year, the negative value of the inventory change serves to offset the value of these sales.

## ***Confidential Commodities and Producing States***

NASS omits some commodities and/or States from its publications due to concerns regarding disclosing information about individual operations. NASS provides these data to us under an agreement that we will maintain the confidentiality. These are incorporated into the accounts, are reflected in the aggregates, and are tracked throughout to preclude release via the several outlets by which clients access the information.

### ***Minor Commodities and Minor Producing States***

These estimates are developed in cooperating with the NASS State Offices, which get data from any and all available sources. With the number and diversification of the commodities, one cannot easily summarize the sources and data quality.

Most States use informed opinions as a major source of data for cash receipts from commodities in the unpublished report. Most of these States check the informed opinions with three major sources: State survey programs, producer associations, and the State's extension service. California is unique in that it relies heavily on surveys that are conducted by organizations other than NASS. Some States use NASS-conducted surveys for estimating cash receipts of important minor commodities.

### ***Incorporation of CCC Loan Statistics***

The placement of farm commodities with the CCC has historically been treated as equivalent to a sale. Even though commonly referred to as a loan, the agreement is a nonrecourse loan, meaning that it is the farmer's decision as to whether to reverse the transaction for the purpose of reclaiming the commodity or to let the government retain possession and ownership. Obviously, the farmer will reclaim the commodity only if an additional profit can be made by doing so, meaning that it can be sold at a higher price (or if the farmer can avoid purchasing grain for feed at a higher price).

## **Production Expenses Accounts**

Each year, ERS and NASS jointly conduct the Agricultural Resource Management Study (ARMS) in

two stages with surveys. Following the tabulation of the financial information, which is collected in the spring when farms have complete tax-year records, the Farm Production Expense Board meets in late June to establish production expense estimates for the Department of Agriculture. The Board established total expense levels for the 48 contiguous States and for each farm production region. In early July, NASS releases its annual Farm Production Expenditures report, which reports information as collected on the survey.

ERS releases official estimates of value-added farm income incorporating expense estimates established by the Board in the September issue of the *Agricultural Income and Finance Situation and Outlook Report*, in the subsequent issue of the *Farm Business Economics Report*, and on the ERS website ([www.econ.ag.gov/briefing/fbe/fi/fi.htm](http://www.econ.ag.gov/briefing/fbe/fi/fi.htm)).

ERS accounts are for the national farm sector, and estimates are expanded to include Hawaii and Alaska. ERS is also required to deliver preliminary and final value-added income estimates for the U.S. agricultural sector (and individual States), with detailed component accounts to the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce for use in developing estimates for gross domestic product, national income accounts, and regional income accounts.

For most components, ERS expense estimates are conceptually the same as those published by NASS, but there are exceptions when the estimates are more appropriate for sector or national income accounting. Two notable exceptions: The ERS **capital consumption** account is replacement cost and is based on a realistic or actual useful life and rate of consumption, rather than book value and tax-related depreciation

schedules. The ERS **interest expenses** are based on information collected from lenders, whereas the estimate published by NASS is that reported by farm operators. A significant portion of the debt, particularly that secured by farm real estate, is held by individuals and entities other than the onsite operator (landlords and partners, for example). All farmland is considered to be in the farm sector for purposes of sector and national income accounting.

## Balance Sheet

The many surveys conducted by NASS are the source of real estate asset values (value per acre of land and buildings, land in farms) and data needed to estimate value of crops stored, and livestock and poultry inventories. Information from the Census of Agriculture is used to develop building and dwelling ratios (used to estimate farm business real estate values for land and farm buildings), value of machinery and equipment, and financial assets.

ARMS is the source of data used to estimate individuals' and others' farm debt, value of machinery and equipment, and value of purchased inputs.

USDA's Agricultural Cooperative Service provides data regarding net worth of rural electric cooperatives and net worth of rural telephone cooperatives.

Farm debt owed is developed from information provided by lenders including the Farm Credit Administration, USDA's Farm Service Agency, and the American Council of Life Insurance. Commercial bank debt is developed from data provided by the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.